

University of Virginia

Department of Economics

ECON 4350
Corporate Finance
Fall 2019
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Instructor: C. Dylan McGee
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T & R office hours 2-3

Text: Brealey, Richard A., Stewart C. Myers and Alan J. Marcus. 2020. *Fundamentals of Corporate Finance*, 10th Edition. New York: McGraw-Hill.

Course Description: Introduction to principles and techniques utilized in the financial management of business. Topics to be covered include: interpretation of financial statements, ratio analysis, present value, bond valuation and interest rates, stock valuation, net present value analysis, risk and return, cost of capital, and capital structure. Most class time will be spent on lecture and practice problems.

Course Objective: To gain an understanding of the basic ideas and terminologies that are essential for literacy in business finance.

Evaluation:

Six Quizzes (36%) on the following days:

Tues 9/10 Tues 9/24 Thurs 10/10 Tues 11/12 Tues 11/26 Thurs 12/5

Midterm: (30%) Tuesday 10/29

Final Exam: (34%) December 11th at 2:00 a comprehensive final (with some topics excluded and a bit more emphasis on the 2nd half of the material)

I will provide suggested practice problems and study topics in advance of all quizzes and exams

Some extra weight can be placed on the final if it is stronger than the midterm and quiz average

I do not do make up quizzes, but I can drop the lowest for those who miss one of them

Some days I will ask you to do individual or partnered work in Excel on laptops. There will probably be 2 or 3 days when I ask you (ahead of time) to bring a laptop. Other times we will work with calculators.

You will meet with the TA for sessions with smaller groups on Monday evenings. These will be a good chance to get extra help with practice problems (or any topic that is giving you trouble). There is no TA session on 9/2 (So Chillax for Labor Day).

Course Outline:

Introduction

Chapter 1 Goals and Governance
Chapter 2 The Financial System
Chapter 3 Accounting and Finance
Chapter 4 Measuring Corporate Performance

Value

Chapter 5 The Time Value of Money
Chapter 6 Valuing Bonds
Chapter 7 Valuing Stocks
Chapters 8, 9 and 10 Net Present Value and other Criteria for Project Analysis

Risk and the Cost of Capital

Chapter 11 Risk, Return, and the Opportunity Cost of Capital
Chapter 12 Beta and CAPM
Chapter 13 The Weighted Average Cost of Capital

Debt and Capital Structure

Chapter 16 Debt Policy

I will use Power Point presentations that will be made available thru Collab, but I will also use the board frequently.

I will give you a heads up about which chapter/chapters we are doing each week as we proceed. I want to have some flexibility rather than pinning down the time allotted to each chapter in advance. I will give you enough info to do the reading in advance of each meeting. But the most important thing will be to take good notes and read before the quizzes and test after you know what I cover in class. You are only responsible for the material covered in class and the recommended practice problems.

There is a lot more material in the text than we have time to cover, but the above listed chapters are the most essential. All the chapters above will be covered pretty thoroughly, with the exception of chapters 9 and 10. We may dip into a few additional topics if there is time during the final weeks of class.

